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**FISCAL IMPACT STATEMENT**

**LS 7929**

**BILL NUMBER:** SB 460

**NOTE PREPARED:** Mar 19, 2005

**BILL AMENDED:** Mar 17, 2005

**SUBJECT:** School bonds for retirement liability.

**FIRST AUTHOR:** Sen. Server

**FIRST SPONSOR:** Rep. Ayres

**BILL STATUS:** CR Adopted - 2<sup>nd</sup> House

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** (Amended) This bill provides that a school corporation that issued bonds to cover retirement or severance liability under a prior statute (which was repealed on December 31, 2004) may issue bonds one additional time for that purpose if the first bond issue was made before April 14, 2003. It provides that the bonds must be issued before July 1, 2006, in an amount not to exceed the difference between: (1) the amount of the prior bond issue (which was limited to 2% of the school corporation's assessed value); and (2) 2% of the school corporation's true tax value at the time of the prior bond issue. The bill requires a school corporation that issues bonds for retirement or severance liability to reduce the property tax levy for certain other funds of the school corporation in an amount equal to the property tax levy needed for debt service on the bonds.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** (Revised) The bill extends the deadline for issuing retirement or severance bonds from before December 30, 2004, to July 1, 2006 for schools. A school that issued pension bonds before April 14, 2003 would also be able to issue one additional bond based on existing unfunded contractual liability for retirement or severance payments as of June 30, 2001. The amount of the bonds are limited to 2% of the

assessed valuation of the school corporation minus the value of retirement or severance bonds that were issued before December 31, 2004. The school must reduce the Transportation Fund, School Bus Replacement Fund, Capital Projects Fund, or Art Association and Historical Society Funds in an amount equal to the property tax levy needed to retire the pension or severance bonds. The pension bonds would be subject to the petition and remonstrance process.

*Background:* As of December 8, 2004, 227 pension bonds worth \$1.06 B had been approved by the Department of Local Government Finance.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** School corporations.

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